

2. International economics is the study of:
 - a. international trade and immigration.
 - b. international trade, international finance, international investment, and immigration.
 - c. international investment and international trade.
 - d. None of the above is correct; international economics studies transnational firms.
3. The process of globalization, as normally defined, includes:
 - a. the increase in trade as a percentage of world output.
 - b. the increase in international investment as a percentage of total world investment.
 - c. the increase in the proportion of people living and working in foreign countries.
 - d. All of the above.
 - e. None of the above.
4. The process of international economic integration consists of:
 - a. two components, trade and investment.
 - b. exclusively international trade.
 - c. at least four components, including immigration, investment, finance, and trade.
 - d. exclusively the activity of multinational firms.
5. Historical data on international trade shows that in 1820:
 - a. about 10 percent of the world's production was exported to other countries.
 - b. about half of the world's production was exported to other countries.
 - c. about 1 percent of the world's production was exported to other countries.
 - d. just one-tenth of 1 percent of the world's production was exported to other countries.
6. At the start of the twenty-first century, countries:
 - a. exported about one-fifth of everything they produced.
 - b. imported about 1 percent of everything they consumed and invested.
 - c. imported about 9 percent of everything they consumed and invested.
 - d. exported about 7 percent of everything they consumed and invested.
7. What percentage of world output was being exported to other countries at the very end of the twentieth century?
 - a. less than 5 percent.
 - b. 8 percent.
 - c. nearly 20 percent.
 - d. over 50 percent.
8. Adam Smith's observation that "The greatest improvements in the productive powers of labour, and the greatest part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour" implies:
 - a. that economic growth will be highest the less countries trade with others.
 - b. that economic growth and international trade tend to expand together.
 - c. that economic growth is not related to international trade as some economists contend.
 - d. that trade will tend to retard economic growth because trade prevents the division of labor.
9. As a percentage of world output (GDP), international investment was highest in the years:
 - a. 1820–1870
 - b. 1870–1913

- c. 1930–1940
 - d. 1950–1992
10. In the United States, immigrants make up about:
- a. 2 percent of the population.
 - b. 6 percent of the population.
 - c. 10 percent of the population.
 - d. 21 percent of the population.
11. Among the following episodes of international migration, the one that involved the greatest number of people was:
- a. the flow of Europeans and Africans to the Western Hemisphere.
 - b. the return of Japanese from China, Korea, and Formosa after World War II.
 - c. the exile of British convicts to Australia.
 - d. the illegal migration of Mexicans to the United States.
12. An economic model:
- a. is a simplified logical representation of a real economic activity.
 - b. explicitly highlights key relationships that are important to understanding and analyzing certain economic issues.
 - c. intentionally omits many details deemed to be irrelevant to the problem at hand.
 - d. All of the above.
 - e. None of the above.
13. The discussion of the North American Free Trade Agreement makes it clear that:
- a. Mexico definitely gained from joining the North American Free Trade area.
 - b. Mexican wages have gone up substantially since Mexico opened its borders to international trade.
 - c. Chinese economic growth has reduced carbon emissions and their effect on global warming.
 - d. All of the above.
 - e. None of the above.
14. Paul Seabright, the author of *The Company of Strangers*, points to several fundamental consequences of expanding the number of people that humans interact with; these include:
- a. lower levels of specialization.
 - b. greater uncertainty and risks.
 - c. faster accumulation of knowledge.
 - d. All of the above.
 - e. None of the above.
15. In dealing with life in their complex social and natural environments, humans draw on:
- a. their evolved instincts.
 - b. rationally acquired knowledge.
 - c. a whole set of non-rational beliefs often described as *culture*.
 - d. All of the above.
 - e. None of the above.
16. Another term for Adam Smith’s “division of labour” is:
- a. specialization.
 - b. economic growth.

- c. exchange.
 - d. trade.
17. According to the economic historian Douglass North, the frequent inconsistencies between people's objectives and society's actual outcomes are caused by:
- a. strong economic institutions.
 - b. humans' propensity to trust strangers.
 - c. humans' propensity to undertake risky ventures.
 - d. the frequent resort to half-baked ideas and myths.
18. When the Dutch arrived in present-day New York in 1626, they:
- a. did not share a common perception of property rights with the native Americans.
 - b. they found it easy to purchase Manhattan Island because there was a native market for property.
 - c. the native Americans insisted on selling the Dutch Manhattan Island rather than renting it to the Dutch, who preferred renting because they had no intention of remaining.
 - d. simply stole Manhattan Island from the native Americans.
19. A holistic perspective to understanding human existence:
- a. suggests that it is impossible to add to knowledge by developing and testing hypotheses.
 - b. leads one to embrace scientific reductionism.
 - c. recognizes that the component parts of the whole cannot be understood in isolation.
 - d. is not scientific.
 - e. None of the above.
20. The environmental economist Herman Daly (2000) argues that:
- a. the macroeconomy is not the relevant whole, but is itself a part of the ecosystem.
 - b. the economy should be analyzed in isolation so models are not muddled with too many extraneous influences.
 - c. the environment has little bearing on economic activity in the short run, so it can be ignored in economic analysis.
 - d. the economic system may be influenced by the natural environment, but it does not influence events in the natural environment.
21. The World Wildlife Fund defines humanity's global *ecological footprint* in terms of *global hectares (gha)*, where the latter is:
- a. the average capacity of one hectare of the Earth's surface to produce services and absorb waste.
 - b. the average size of a hectare of land.
 - c. the total value of a hectare of farmland.
 - d. None of the above.
22. The term *monoculture* was used in Chapter 1's discussion of the North American Free Trade Agreement to describe:
- a. a society in which every person sees themselves as belonging to an identical culture.
 - b. the large-scale, capital-intensive farms that produce single crops covering vast territories.
 - c. the former small-scale farms in developing countries that were replaced by factory farms after the so-called green revolution.
 - d. a type of farming that preserves biodiversity.
23. Which of the following is *false*?